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Weekly Contributions 22-50  
Latin America Division, ORE, CIA  
31 May 1950

CURRENT DEVELOPMENTS

NORTHERN AREA: In Cuba, the Auténtico (government) candidate may win the election for mayor of Habana by a narrow margin (p. 2).

CENTRAL AREA: In Ecuador, the government's expected victory in the forthcoming congressional elections is not expected to increase its stability (p. 2).

SOUTHERN AREA: In Peru, while Odría is still expected to be elected constitutional president, the electoral period will be one of danger to his regime (p. 2).

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(CIA Working Paper)

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1. CUBA: Auténticos May Win Election for Mayor of Habana

Many Cuban political observers have predicted that the president's party, the Auténticos, will lose the 1 June election for mayor of Habana to Nicolás Castellanos, who recently resigned this important political post in order to become the candidate for the "Coincidentes" (Grau, Batista, Pujol and the Communists). Loss of the election by the administration candidate, the president's brother Antonio, would be a serious blow to President Prío's prestige, and, despite expected administration victories in a majority of the other municipal and congressional contests, could reduce the government's political strength between 1 June 1950 and the 1952 elections — even though it would probably not threaten the stability of the regime.

D/LA believes that, while the election may be close, the administration party will win the Habana mayoralty, thus maintaining the political status quo.

2. ECUADOR: Forthcoming Congressional Elections

It is expected that candidates of President Plaza's MCDN and Conservative Party candidates will together win enough votes in the 4 June congressional elections to assure the continuance of a pro-government majority in Congress. However, such a victory at the polls, if it occurs, will make no appreciable contribution to the stability of the government, since the revolutionary groups which currently threaten the present regime continue to base their hopes on the possibility of staging a successful coup rather than on coming to power through constitutional means.

3. PERU: A Month of Decision

The future of the present Peruvian regime will be determined largely by the events of the period beginning 1 June (when Odría is scheduled to resign as Junta President to campaign for the constitutional presidency) and ending when the results of the 2 July election are announced. While Odría's principal opponent, General Montagne, appears to have a poor chance in the actual balloting, the situation presents an excellent opportunity to Odría's enemies for subversive moves to prevent his return to office. Possible danger exists in two quarters: among members of the present military junta, some of whom undoubtedly have designs on the presidency; and the Apristas, who still represent the largest political group and who maintain at least some underground militant organization. For both groups, the logic of the situation indicates that it is now or possibly never. While none of the reports of possible revolutionary attempts can be accepted in toto, it is obvious that, if Odría's election comes off as scheduled, he can assume the presidency with a constitutional sanction added to the military force that has maintained him in power to this date. He would then be extremely difficult to dislodge. It is still expected that Odría will win the election, but the electoral period will admittedly be one of danger to his regime.

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### The Current Situation in Colombia

(Summary -- The political situation is relatively stable, and the greater part of the armed forces seem to be loyal to the government. Economic conditions are generally a little less favorable but are still good. The Communists have declined in influence as a result of recent labor developments. Colombia's relations with other countries continue to be amicable.

-- US interests have been adversely affected, to a slight degree, by the continued unfavorable climate for private foreign investment.)

#### Political

The political situation is relatively stable, although the bitter animosity between the Conservative and Liberal parties remains a dis-equilibrating factor.

The Liberal position in regard to the approaching inauguration (7 Aug 50) of president-elect Laureano Gómez has not yet crystalized. Each of three courses of action -- non-violent protestation, some kind of collaboration, rebellion -- has its advocates. At present, the first alternative seems to be most widely favored. The second, collaboration, has not secured enough backing among Liberals to become a feasible alternative. In regard to the third alternative, the advocates of violence have been to some extent discouraged by the failure of an attempted revolution on 10 March. In addition, this attempt revealed to the government many of its enemies, and, therefore, increased the government's control of the situation. Although the guerrilla forces on the eastern plains have reached sizable proportions (see Military), they are not at present a threat to the central government.

The Conservative position and future course of action depend primarily on Laureano Gómez. It is true that Guillermo León Valencia, who is, after Gómez, perhaps the most influential Conservative leader, has withdrawn from Conservative party activity, presumably hoping to make political capital at a later date from his disassociation with the present Conservative regime. Otherwise, however, the Conservatives are apparently united in their support of president-elect Gómez.

The Conservatives are expected to maintain the state of siege at least until the inauguration of Gómez on 7 August. Furthermore, there is no immediate prospect that freedom of the press will be restored, although censorship has been eased in recent months and there has been

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some speculation that the form of censorship may be changed. On the other hand, despite the suggestion published in Gómez' "El Siglo" that the Liberal Party be outlawed and dissolved, it is not believed that Laureano Gómez seriously contemplates any drastic action against the opposition party.

#### Military

The greater part of the armed forces seem to be loyal to the government, and are currently engaged in the primary mission of the Colombian army --- that of maintaining order. In this mission, the army has been most successful in the north (Magdalena, Bolívar, and Antioquia). In the southeast, principally in Huila, Cauca, Valle, Tolima, and Caldas, there is a limited amount of sporadic violence, but the army has been able to maintain a fair degree of order. In the east, however, in Meta, Boyacá, Arauca, and the outlying districts of Cundinamarca, army action has so far failed to be effective, and armed bands, an estimated 2,000-6,000 men, have apparently increased in manpower and weapon strength during the past few months. One thousand army troops were reportedly sent to the area in January and February. In late March a new administrative area was established in the center of the disturbed region, with an army officer as civil and military administrator. During April, the air force performed, in cooperation with army activities, several strafing missions with a result of 200 unconfirmed rebel casualties. That the government does not yet have control of the situation is indicated by current preparations for a new offensive.

#### Economic

The economic situation was generally a little less favorable, but was still good. The current secondary coffee crop has been somewhat damaged by unusually heavy rains, but the 1949-50 coffee year is expected to produce a virtually normal amount of coffee for export, since the primary crop was much larger than usual. Foreign exchange received from coffee exports thus far this year has been less than anticipated, since prices offered abroad for coffee have been less than the minimum export prices established by the Office of Exchange Control, and exports have therefore been curtailed. However, the semi-official Coffee Federation, in line with its price support policy, has intervened in the interior market and made purchases at its guaranteed prices, with the result that the numerous coffee growers have suffered little. The policy of the Office of Exchange Control to maintain the high minimum export price, in spite of the fact that this policy entails a temporary reduction in foreign exchange, is undoubtedly based on the well-founded theory that Colombian coffee prices will rise, to some extent at least, within the next several months, and that, in the long run, Colombia's economy will receive a greater number of dollars.

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Rising food prices have been widely publicized in the Colombian press. Liberal papers have attributed the rise at least partially to the political tension which they claim has caused widespread desertion of farms. However, it is believed that the present cost of living is the common seasonal phenomenon accentuated by a certain amount of crop damage caused by unusually heavy rains.

#### Subversive

The Communists have declined in influence as a result of recent labor developments. A seemingly united PCC made a strong effort at the 10th CTC congress, held in Bogotá from 1-6 May, to maintain CTC's affiliation with CTAL and WFTU, but the congress, under Liberal Party influence, voted 178-141 to break this affiliation and to join ICFTU. This defeat has tended to isolate the PCC in both labor and politics.

US interests have been favorably affected by these developments because CTC's change of affiliation from the Communist-dominated WFTU to ICFTU reduces Communist ability to disseminate anti-US propaganda in Colombia and because the isolation of the PCC has not only weakened its influence but also has reduced its ability to recruit new members, collect funds, and avoid prosecution for any illegal activities.

#### International

Colombia's relations with other countries continue to be amicable, although two economic problems have caused a slight strain in relations with the US. Colombia continues to support the US as against the USSR in international relations, and has extended diplomatic recognition to the associated states of Vietnam, Laos, and Cambodia. Trade agreements are being negotiated with Italy, Western Germany, and Venezuela.

A dispute arising from the failure of the semi-official Gran Colombia Merchant Fleet to abide by a Shipping Conference agreement signed last October has continued for some months, causing a slight tension in US-Colombian relations. Now, although the Shipping Conference apparently hopes for total fulfillment of the agreement, the Colombians have offered terms which remove grounds for diplomatic intervention by the US.

The climate for private investment by US citizens in Colombia, however, has not improved. The departure from the Exchange Control Office of its anti-US chief has not as yet had a favorable effect. In contravention of Point IV, the Exchange Control Office has followed a practice of re-registering employment contracts for foreign technicians for only brief periods and usually with reduced remittance rights. Although President Ospina has stated that he has prepared a decree which would have the effect of protecting foreign investors, no concrete action favorable to foreign investors has as yet been taken.

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The Current Situation in Uruguay

(Summary -- The Batlle Berres government remains stable. The country's economic situation has improved considerably in the last six month period. The armed forces remain loyal to the government. Communists have shown their disruptive capabilities and a marked improvement in organizational ability. There is a trend toward a less intransigent position on foreign policy questions.

-- Aside from the Communist efforts to withhold wool from US markets, none of the recent developments in Uruguay has adversely affected US security interests.)

Political

The Batlle Berres government remains stable. Its strength was recently proved when it effectively halted the long wool strike after labor mediators had failed. Current congressional interpellation of three cabinet ministers is essentially a political maneuver by the opposition to embarrass the administration and to gather political ammunition for the forthcoming campaigns. Thus, even though this may result in the resignations of these ministers, it does not indicate any serious government weakness. Increased tension and political bickering are expected until the November presidential elections. A serious split in the President's Colorado party has reduced its chances in the coming election as two of the three factions have agreed to run a single candidate in opposition to the presidential faction's candidate. The two principal opposition parties, the Herreristas and the Independent Nationalists, will in all probability run separate candidates although factions in both parties are striving towards unification. The small independent parties -- Socialists, Communists, and Catholic "Union Civica" -- are not likely to offer serious competition or substantial aid to any of the major contenders. While the final count is likely to be very close, regardless of the outcome, it is probable that US security interests will not be adversely affected and that the next Uruguayan government will be pro-US in its orientation as is the present one.

Economic

Uruguay's economic position has improved considerably during the past six months, largely because of a stronger wool market. Record year-end sales of wool at prevailing high prices, as well as heavy sales of other basic exports, combined with strict control of imports, produced the first favorable trade balance since the end of the war. General improvement of the economic situation cushioned the shock of a temporary loss of nearly



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eight million dollars in ten weeks occasioned by a three-month wool strike which paralyzed shipments to the US at the peak of the wool season. Rapid recovery of most of the losses and accrual of substantial dollar exchange from the sales of the remaining 40% of the current clip were assured by the prompt movement of wool stock after the settlement of the strike.

In general, the economic outlook is favorable. The only serious problem facing the government is the growing inflation for which little corrective action can be expected during the pre-election period. The peso, however, shows signs of remaining relatively stable on the "free" market, and exports of basic products appear likely to remain at satisfactory levels despite a drought that will keep the volume under the unprecedented figures of 1949.

#### Military

The armed forces remain loyal to the government and are not expected to become politically active in the pre-election period. Except for the effects of the recent receipt of aircraft from the US, there have been no significant changes in the situation of the Uruguayan armed forces.

#### Subversive

Recent Communist developments include a marked increase in organizational activity and reveal their capabilities to disrupt vital industries. The prolonged strike of Communist wool workers and the shorter sympathy strikes of truck drivers and Montevideo port workers which paralyzed the movement of wool to US markets for approximately three months illustrates the capability of strategically placed Communist workers to withhold a strategic commodity from US markets. The Communist Party Convention, the UGT Conference, and the CTAL Conference, all held in Montevideo recently, represent increased activity in the organizing and holding of conferences. Most significant political development in the Party convention was the announcement of the nomination of Eugenio Gomez, Secretary General of the Party, as a presidential candidate. Most significant developments from the CTAL conference were the naming of four regional committees of Latin American labor groups and the reported decision to withhold strategic materials from the US in the event of a war against Russia. The Communists are expected to remain active during the pre-election period and may play an important part in the election by ultimately shifting their support to one or another of the major party candidates.

#### International

Uruguay appears to have tempered its obdurate position on principles it previously considered necessary for the defense of democracy in other countries. Its recognition of Panama's Arias regime, for example, indicates a less intransigent attitude on the recognition of governments established by force, although it still deplores the use of force and still refuses to recognize the military governments of Venezuela and

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Peru. Uruguayan relations with Argentina and Paraguay have improved considerably, while friendship with US, Brazil, and Chile remains at a high level. There are indications that UN activity may follow US lines more closely than before, possibly even to the extent of Uruguayan willingness to recognize its arch-enemy Franco if the US did so.

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